The 1967 Annual Report of First National City Bank

On the Cover: *Penny Donaghue visiting the shop of one of the 20,000 merchants participating in First National City's charge card service, The Everything Card. Miss Donaghue, who was Miss New York State in 1966 and is presently a graduate student at New York University, was chosen as The Everything Girl to help promote this new service.*

First National City Bank 1967 Annual Report

Senior Management

1. *George S. Moore*, Chairman
2. *Walter B. Wriston*, President
3. *Richard S. Perkins*, Chairman of the Executive Committee
4. *J. Howard Laeri*, Vice Chairman
5. *Thomas R. Wilcox*, Vice Chairman
6. *A. Halsey Cook*, Executive Vice President
7. *William I. Spencer*, Executive Vice President
8. *Edward L. Palmer*, Executive Vice President
9. *Robert L. Hoguet*, Executive Vice President
10. *H. Lansing Clute*, Executive Vice President
11. *Conrad F. Ahrens*, Senior Vice President
12. *John B. Arnold*, Senior Vice President
13. *Carl W. Desch*, Senior Vice President and Cashier
14. *Delmont K. Pfeffer*, Senior Vice President
15. *George C. Scott*, Chairman Credit Policy Committee
16. *Bernard T. Stott*, Comptroller
17. *John C. Macy*, Deputy Comptroller
18. *Hulbert W. Tripp*, Senior Vice President
19. *G. A. Costanzo*, Executive Vice President
20. *Juan D. Sanchez*, Senior Vice President
21. *Edwin A. Reichers*, Senior Vice President
22. *Robert W. Feagles*, Senior Vice President
23. *Leif H. Olsen*, Senior Vice President and Economist
24. *Thomas F. Creamer*, Senior Vice President
25. *Robert V. Owen*, Budget Director
26. *Donold K. Lourie*, Senior Vice President
27. *George M. Lingua*, Senior Vice President
28. *Homer C. Lathrop*, Senior Vice President
29. *John J. Larkin*, Senior Vice President
30. *James F. Jaffray*, Senior Vice President
31. *Henry M. Hubshman, Jr.*, Senior Vice President
32. *William A. Lockwood*, Senior Vice President
33. *P. Henry Mueller*, Senior Vice President
34. *John F. Fitzgerald*, Senior Vice President
35. *George E. Barnett, Jr.*, Senior Vice President
36. *Leland S. Brown*, Senior Vice President
37. *John C. Slagle*, Senior Vice President
38. *John E. Thilly*, Senior Vice President
39. *E. Newton Cutler, Jr.*, Senior Vice President
40. *Stephen C. Eyre*, Senior Vice President
41. *John Exter*, Senior Vice President

(Not present in the photograph are the following senior vice presidents: *E. Sherman Adams, Lester Garvin, Julien-Pierre Koszul, Eben W. Pyne, John J. Reynolds and Carleton M. Stewart*)

To Our Shareholders, Customers and Staff:

The year 1967 commenced with a slowdown in economic growth, but expansion accelerated during the second half. By year end the economy's advance was beginning to match the pace of the previous two years. It was the seventh consecutive year of expansion.

Interest rates, which had declined in the autumn of 1966, turned around in the first half of 1967, despite the Federal Reserve's expansive monetary policy. Following the 14.3% devaluation of sterling on November 18 and an increase in the British bank rate, the Federal Reserve promptly raised the discount rate to 4½% from 4%. Interest rates generally rose further as a consequence. Commercial banks, led in New York by First National City Bank, raised their minimum rate on business loans from 5½% to 6%.

Total commercial bank credit, including large purchases of tax-exempt and Federal Government securities, increased last year by a record amount. Both demand and time deposits grew at an unusually rapid pace during 1967.

For Citibank, these developments were reflected in record highs in deposits and loans and also in earnings. Net operating earnings were up 7% over 1966. Earnings per share amounted to $4.22 compared with $3.94 the previous year.

Dividend checks mailed to 66,000 shareholders on November 1 reflected an increase in the annual dividend rate from $1.80 to $2.00 a share. This was the third time in three years that the rate had been raised.

It was a year of progress in all major categories of FNCB's varied activities. We increased our services to individuals, businesses and governments. New branches were added to our networks of offices in the New York metropolitan area and around the world. Interests were acquired in a number of financial institutions overseas. Trust and investment advisory business continued to grow. Greater efficiency was achieved in our internal operations.

At midyear, the Board of Directors appointed George S. Moore, formerly president, as chairman succeeding James S. Rockefeller upon his retirement at the age of 65. Mr. Rockefeller's retirement marked 37 years of service with the Bank. He continues to serve as a director.

At the same time, Walter B. Wriston was appointed president and a member of the Board. Mr. Wriston had headed the Bank's Overseas Division as an executive vice president since 1960.

Thomas R. Wilcox, previously executive vice president, was elected a vice chairman. He will continue to supervise the Metropolitan Division. In addition to the new appointments, top management includes Richard S. Perkins, chairman of the executive committee, and J. Howard Laeri, vice chairman.

Three other new directors were appointed: John D. deButts, vice chairman of the board, American Telephone and Telegraph Company; Gordon Grand, president, Olin Mathieson Chemical Corporation, and Gordon M. Metcalf, chairman of the board, Sears, Roebuck and Co. Four retired from the Board: John E. Bierwirth, R. Gwin Follis, Clifton W. Phalen and Chas. H. Sommer who became a member of the Trust Board.

Frank E. Barnett, chairman of the executive committee, Union Pacific Railroad Company, was appointed a member of the Trust Board. Robert L. Hoguet, executive vice president in charge of the Trust and Investment Division, Mr. Wilcox and Mr. Wriston were also named to the Trust Board.

Since its founding in 1812, Citibank (originally named The City Bank of New York) has had a record of responding to the changing needs of its customers for financial services. The past year added another chapter to this chronicle of innovative banking. This is the theme of this report.

Once again we express our appreciation to the men and women who constitute First National City Bank. The achievements reported on these pages reflect their competence and loyalty.

Highlights of 1967

	1967	1966	Change
Earnings and Dividends (Thousands)			
Net Operating Earnings	$112,756	$104,890	+7%
Cash Dividends Declared	50,708	46,629	+9%
Per Share			
Net Operating Earnings	$4.22	$3.94	+7%
Cash Dividends Declared	1.90	1.75	+9%
Annual Dividend Rate at Year End	2.00	1.80	+11%
Statement of Condition (Millions)			
Total Assets	$17,497	$15,066	+16%
Deposits	15,201	12,940	+17%
Loans	9,917	8,785	+13%
Capital Accounts (Capital Notes, Capital Stock, Surplus and Undivided Profits)	1,219	1,189	+3%
Offices of FNCB and Affiliated Companies			
In New York Area	168	164	+4
Overseas	228	195	+33
Total	396	359	+37

A Look Ahead

A bank earns its living chiefly from the differential between its cost of attracting and handling money, and the return it receives from putting these funds to work in loans and fixed income securities. In 1963, 1964 and 1965, the spread between FNCB's cost of funds and our return on them narrowed appreciably, partly because of the increase in the proportion of interest-bearing deposits. The Bank's earnings nevertheless continued to rise in all of these years because of the rapid increase in the volume of our earning assets.

Over the past two years, there has been some improvement in the spread between our cost of funds and the return earned on them. We believe that this favorable trend may continue in the year ahead. Further expansion of our deposits and loans should also contribute toward another gain in earnings in 1968.

Deposit expansion will depend in part on what happens to open-market rates of interest and to the ceilings on rates that banks are permitted to pay on time deposits. There were times in 1966 when the rate ceilings impaired the ability of banks to compete for short-term funds. If yields on U. S. Treasury bills rise much further, this situation might recur in 1968, unless the rate ceilings are raised.

If economic growth continues, as we expect, our total loans should average considerably higher than in 1967. We are prepared to accommodate the increased credit demands of our customers.

The recent rise in bank lending rates will help offset the higher interest cost of our savings and time deposits. The average rate of return on our investment securities should also be higher than in 1967.

The move into our new downtown operations center next fall will involve some moving expenses and about four months' rental charges on the new building. Also, expenditures for leasing computers and related equipment will be higher in 1968.

Despite our belief that the United States economy will grow and expand in 1968, we are concerned about the growth of controls and restrictions which seems to be developing. The great postwar expansion of the world economies and international trade was achieved largely because the war-born domestic and foreign exchange controls of the world were dismantled and men, money and ideas were permitted to cross frontiers more easily. Any drift in our country toward protectionism in international trade and foreign exchange controls in our international payments constitutes a danger not only to the economy of the United States, but also to the Free World.

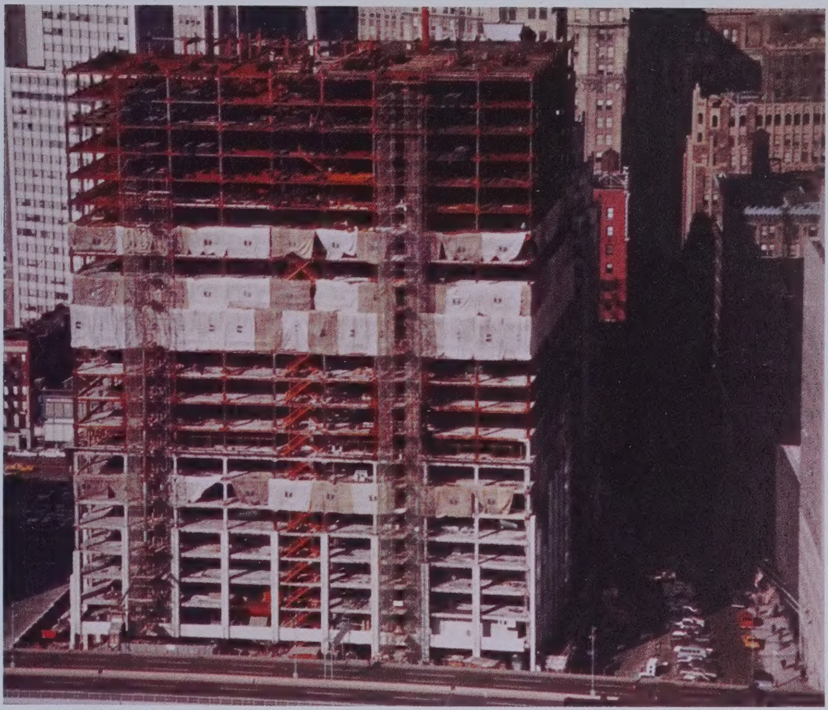
In spite of the problems which unquestionably lie ahead, we enter the new year with confidence. We have strengthened our liquidity position. Our capital and reserves are the largest of any commercial bank in the world. We have a tested and experienced organization.

We believe that 1968 will be another year of expanded service to our customers, growth in the Bank's resources and increased earnings for our shareholders.

George S. Moore
Chairman

Walter B. Wriston
President

Richard S. Perkins
Chairman of the
Executive Committee



View from a Helicopter. *At 111 Wall Street, Citibank's new downtown operations center takes shape. Target date for completion is Labor Day 1968.* Right: *Inspecting the progress of the construction are, left to right, H. Lansing Clute, executive vice president, George S. Moore, chairman, Walter B. Wriston, president, and Henry J. Muller, vice president.*

Outlook for the U.S. Economy

Economic expansion should continue to accelerate in 1968, spurred by higher consumer spending and the aftereffects of the stimulative monetary policy pursued during 1967. A shift toward less expansive monetary and fiscal policies will be needed to curb inflationary pressures that have already developed. The need for such a shift in policies was heightened by the devaluation of sterling in November and the very sharp increase in the U.S. balance-of-payments deficit in the fourth quarter.

A less easy monetary policy, together with continued growth in loan demand, should keep interest rates high in 1968. Banks and other financial institutions, however, entered the new year in a substantially more liquid condition than they were in before the credit squeeze of 1966. It is possible that later in the year some moderation from the high interest rates may take place.

Even with the early implementation of less stimulative measures, the economy is likely to exhibit inflationary excesses through much of 1968. Early in the year steel production is expected to run abnormally high in anticipation of a possible strike in that industry. Catch-up production in the auto industry following the strikes in the second half of 1967 is also expected to provide some added push to economic activity. Finally, in the same way that the full effects of the severely restrictive monetary policy of 1966 were not seen until the first half of the following year, we have yet to see the full impact of 1967's expansive policy.

Inventory accumulation, which slowed down sharply in 1967, has already begun picking up and should rise further in the months ahead. Outlays for plant and equipment in the new year, according to government surveys, are expected to increase somewhat more rapidly than in 1967. Wage costs have been rising rapidly. However, higher sales, more efficient rates of capacity utilization, and price adjustments in some areas should help to improve aggregate corporate profits.

Government expenditures are also expected to rise in the year ahead but at a more moderate pace than in 1967. Defense expenditures have been increasing at a slower rate, giving rise to hopes that the dollar costs for Vietnam may be leveling off.

The U.S. balance-of-payments deficit took a marked turn for the worse in 1967. Even after making allowance for special bookkeeping transactions which pared a substantial amount from the deficit, the final figure was nearly $4 billion on the conventional basis, almost triple that of the previous year. Excluding

New York, New York—It's a Wonderful Town. *To show bankers and their wives from across the nation glimpses of the City's varied ethnic neighborhoods, the 38th and 39th floors of our 399 Park Avenue headquarters were transformed into a series of vignettes during the 1967 American Bankers Association convention held in New York. Seen above is a representation of a restaurant in "Little Italy."*

Bankers' Banker. *J. Howard Laeri, vice chairman, was elected president of the American Bankers Association for 1967-1968. Mr. Laeri, right, is the first New York City banker so honored in 23 years.*

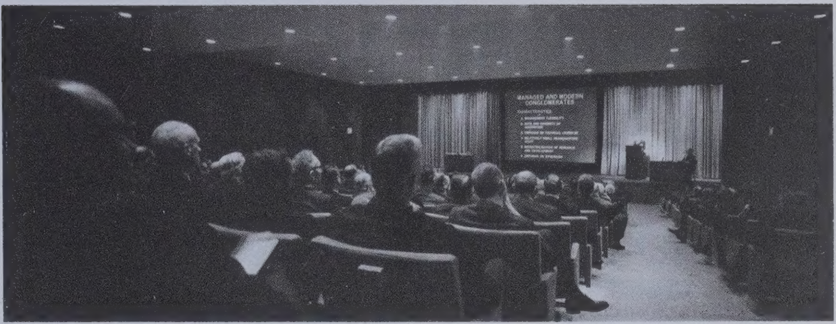
the benefits of special bookkeeping arrangements, the deficit was the largest on record. The balance of payments deteriorated despite an improvement in the trade surplus. There was a sizable decline in the flow of U.S. funds for investment abroad, partly in response to tightened government "voluntary" controls but also because of lower profit margins, especially in Europe. U.S. military expenditures abroad increased because of Vietnam.

On New Year's Day the Administration announced a new balance-of-payments program. Controls over direct investment abroad have been made mandatory. Bank loans to foreigners are to be further curtailed, but the bank program remains voluntary at the discretion of the Federal Reserve Board. In addition, legislation is to be considered to restrict tourist travel overseas and to establish a tax rebate on exports and a "border tax" on imports.

First National City Bank has strongly opposed controls over the movement of the dollar from the U.S. Such controls, in time, do not strengthen confidence in the dollar but weaken it. The dollar has been eagerly sought abroad and has served the world well in stimulating economic growth precisely because it has been usable throughout the world, free of U.S. controls. In our opinion, the new balance-of-payments program will not work unless it is backed up by less-expansive monetary and fiscal policies. Our reasons for opposing exchange controls are spelled out in full in the January issue of our *Monthly Economic Letter.* Shareholders who have not received copies may obtain them upon request.

The Economic Outlook Abroad

Despite uneasiness in international financial markets and the pressures on the dollar that followed sterling's devaluation, the pace of economic activity in most of the industrial countries is expected to improve after the slowdown in 1967. Recovery in 1968 could be slowed, however, by the impact on financial markets of U.S. efforts to correct its balance-of-payments deficit.



Sharing our Expertise. *This year's annual Insurance Forum drew 202 executives of domestic, Canadian and European insurance companies to hear Citibank officers discuss topics of prime importance to their institutions.*

After three years of striving to improve its balance of payments by restraining the growth of domestic demand, Britain devalued the pound in November 1967. Britain's efforts had been hampered by the closing of the Suez Canal and by the economic slowdown in other industrial countries, which reduced the growth of British exports.

In 1968, Britain's economic advance is expected to resume. Still the rate of growth will probably be substantially below the economy's physical capacity. Domestic demands must be restrained to keep costs from rising and to make room for growth of exports. With sufficient domestic restraint, the balance of payments could reach equilibrium in 1969 and possibly earlier.

West Germany experienced a sharp slowdown with total output in 1967 slightly below the 1966 level. Gradual recovery is expected in 1968 led by exports and public investment.

Belgium, the Netherlands and France should enjoy faster growth during 1968 as well. Italy, unlike most of Western Europe, grew rapidly in 1967 and the pace is expected to continue in 1968.

Japan was the only other leading industrial economy which did not slow down in 1967. Slower growth is expected in 1968, however, under the impact of credit restrictions imposed to strengthen Japan's balance of payments, which will be adversely affected by the devaluation of sterling.

In the developing countries, output grew during 1967 at approximately the same rate as it had the year before. Per capita income grew much more slowly as rapid population growth continued. Imports of developing countries continued to grow during 1967 while exports, mainly food and raw materials, slackened, reflecting the slowdown in the industrial countries. As a result, foreign exchange reserves of most developing countries fell in 1967. Middle Eastern oil producers and Argentina, Thailand, Korea, Taiwan and Israel were among the notable exceptions. The devaluation of sterling also reduces the effective reserves of countries holding reserves in sterling.

The foreign exchange reserves of developing countries should be helped by recovery in the industrial countries as growth of world trade quickens, accelerating from a 5% annual growth rate in 1967 to about 7% in 1968.

Banking Innovation in a Changing World

The mission of First National City Bank is to meet the changing financial requirements of the communities and nations in which it operates, introducing new services wherever warranted.

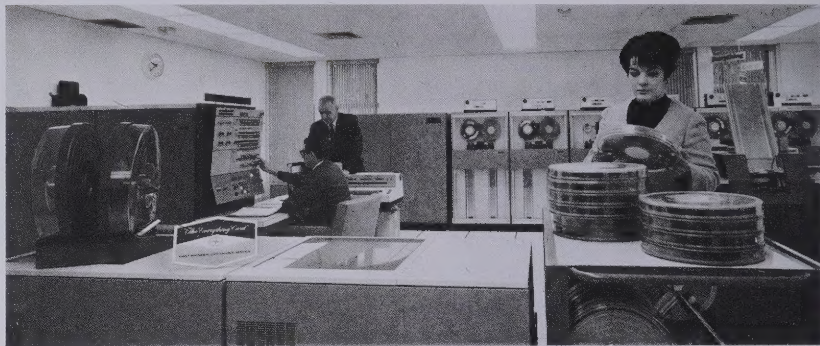
These must be adapted to the differing conditions in various markets. Thus, in New York, FNCB last year inaugurated a charge card service; in several countries in Asia and South America, it launched personal loan programs; in London, it originated another new type of time deposit.

The Bank organized new departments to serve the specialized requirements of particular industries. We found new ways to help meet the financial needs of developing nations.

Inventiveness was also applied to banking operations. Financial services are becoming increasingly dependent on sophisticated automation and communications facilities. In 1967 Citibank wedded the marketing and operating functions of a number of its services.

The pace of change in our society has been accelerating. Indeed, technological progress is also revolutionizing the banking industry.

Here is an account of two aspects of this revolution: one within Citibank itself, the other with the Bank acting as a catalyst of change in a changing world.



Computers in Jericho. *The new operating headquarters for The Everything Card at Jericho, Long Island, was the site of the first meeting of the Board of Directors ever held outside New York City. Above is the computer room where the bookkeeping is performed for cardholders' accounts. Below, members of the Board arrive for the meeting.*

New Retail Services, U.S.A.

As an extension of our personal finance activities, we introduced in 1967 the First National City Charge Service, popularly known as The Everything Card. With this card, approximately 1,400,000 people can charge goods and services at 20,000 business establishments throughout the New York metropolitan area. They can even acquire instant cash advances of from $25 to $150 at any of our 168 metropolitan branch offices.

Cards were issued only to persons whose credit ratings indicated that they were financially responsible; all were present or past customers. Since First National City was the first major commercial bank to enter the instalment loan business 39 years ago, it has at its disposal extensive records on borrowers in the metropolitan area.

Through this new service, participating merchants can convert their charge business into cash on the day of purchase simply by depositing their sales slips at a Citibank branch. Some of these merchants now for the first time offer their customers a charge service without risk and without tying up working capital.

This service is handled at our new operating facility at Jericho, Long Island. There a computer posts charges and payments and then produces a single monthly bill for shoppers who have substituted The Everything Card for cash. Many of the components of the so-called "checkless society" are embodied in this new charge card operation.

In response to demand for a passbook type account that would pay a higher rate of interest on savings, the Bank introduced its Golden Passbook Account last January. This new time deposit account pays interest at the annual rate of 5%

Teller Training via TV. *The accent is on customer relations in our teller training program. Trainees' actions are recorded on videotape and the playback gives them an opportunity to see themselves as customers might see them.*

compounded quarterly on $1,000 or more when kept on deposit at least 90 days. This service has attracted many new depositors to the Bank.

In September we introduced a five-year savings certificate, available in denominations from $100 to $25,000. Certificates are purchased on a discount basis and the annual interest rate of 5% is guaranteed for five years. Customers can redeem their certificates without prior notice at six-month intervals from date of purchase but at a reduced rate if redeemed within the first three years.

Even in so well established a service as FNCB Travelers Checks, new merchandising methods were employed in 1967 to achieve record sales. One was an arrangement whereby the American Automobile Association promoted the sale of the Bank's checks among its more than 10 million members in the U.S. and Canada.

Retail Banking Overseas

Citibank has embarked on a long-range program of exporting to other countries the know-how it has acquired in personal banking in the United States.

The Argentine Government this past year authorized the entry of banks into the instalment sales financing field, and FNCB moved quickly into this newly opened market.

We have started in-plant banking programs in India, Malaysia and Singapore. Personal loans have also been introduced in several Asian countries.

With nine Travel Selection Centers now in operation in New York, the Bank is making its travel services available to customers at selected branches overseas. Centers have already been opened in Brussels and Frankfurt.

In 1967 First National City opened additional "minibranches" in Chile and its first such offices in Europe. Staffed by three or four people, "minibranches" are small auxiliary offices located in busy areas of cities in which we already have major facilities. They accept deposits, cash checks and make personal loans where local laws permit. Brussels now has two such branches and Paris, one.

Services for Banks and Business

Long-range financial planning is more important for corporations and banks than ever before. In response to this need, Citibank's expanded Corporate Financial Advisory Department last year completed about 200 reports for customers on a broad range of financial planning problems. These studies typically included reviewing with the client his growth objectives and target dates, developing multiple forecasts and identifying alternative financing strategies.

One effective tool has been the use of mathematical models programmed into a computer to project financial statements. This has enabled the customer to ask the question "What if..." and get a reply in minutes.

With mergers and acquisitions accounting for an increasing share of corporate expansion, the Bank's specialists have provided clients with counseling in this area and have been instrumental in working out merger arrangements.

In 1967 Citibank introduced an International Business Travel Service designed to assist the traffic departments of companies that purchase substantial amounts of international travel. This service includes the handling of all aspects of overseas travel from the issuance of tickets to the procurement of visas.

The Bank has widened its participation in financing the construction of large commercial buildings in New York and elsewhere.

Seven years ago First National City made banking history by introducing the negotiable certificate of deposit. The volume of outstanding negotiable CDs of the U.S.

New Landmark for Dubai. *Opening day ceremonies of the new home of Citibank's branch in Dubai, capital of one of the Trucial States on the Persian Gulf. The modern architecture was in contrast to traditional buildings and colorful costumes.*

Modern Offices in Historic Setting. *This new building for FNCB's London City Office is strategically located on Moorgate about 200 yards from the Bank of England and the London Stock Exchange.*

banking system now exceeds $20 billion. The success of the CD in the United States suggested that as the Eurodollar market grew, holders of Eurodollars might be attracted to this form of investment. In 1966 the Bank's London City Office introduced Eurodollar certificates of deposit in the European market. In 1967 a three-year certificate was offered and was favorably received. The creation of dollar CDs in London has helped FNCB to tap the Eurodollar market to finance the expansion and trade of American companies and in turn helped alleviate the U.S. balance-of-payments problem.

In 1967 Citibank formalized its International Money Mobilization Service for corporations operating in Western Europe. This is a rapid remittance collection and transfer service utilizing FNCB's European branch network and its telecommunication system. Branches serve as initial collection and currency conversion points for payments. From there the payments are immediately transferred by Telex to a central "mobilization" branch. This gives the customer a faster collection cycle and centralized control of its cash position.

First National City assists correspondent banks throughout the country with a wide range of banking problems. This past year we provided special studies on bank protection, employee incentive programs and branch development, and made available new marketing packages for launching savings certificates and overdraft checking accounts.

The Bank now offers to assist correspondent banks in providing factoring service on a participating basis. This new program permits local banks that do not have their own factoring departments to satisfy customers' needs for working capital which might not otherwise be met.

New Enterprises

In December a license was obtained to organize FNCB Capital Corporation, a small business investment company. This wholly-owned subsidiary will provide equity capital and long-term loans to small firms throughout the United States. It gives the Bank a vehicle for financing new companies which cannot obtain sufficient funds through regular bank loans.

Earlier in the year, an international banking subsidiary, First National City Bank (International), was established in San Francisco to serve the banking needs of customers throughout the Pacific area. It offers deposit accounts, letters of credit, financing of imports and exports, facilities for collection of bills and remittances abroad, and other specialized financial services for clients active overseas.

During the year the Bank acquired a majority interest in Laurentide Financial Trust Limited, London, which engages in consumer financing operations. Now renamed National City Financial Trust Ltd., this company has nine branches in the United Kingdom.

In Argentina, Citibank extended its operations during the year to Bahia Blanca, a port city 350 miles southwest of Buenos Aires, by

Coming Soon! *This billboard alerted Koreans to the arrival of a full-service Citibank branch in Seoul, bustling capital city of the Republic of Korea. At year end,* FNCB *had offices in 29 locations in Asia.*

purchasing a controlling interest in Banco de Bahia Blanca. Also, a controlling interest was acquired in Banco Argentino del Atlantico, headquartered in Mar del Plata, Argentina, a port city 250 miles south of Buenos Aires on the Atlantic Ocean. Banco Atlantico has eight offices in the Mar del Plata area.

The Bank's branch networks at home and abroad were further expanded in 1967. In the New York metropolitan area, offices were added at four new locations, bringing the total to 168. With the addition of 33 new overseas offices in 1967, Citibank now has facilities in 63 foreign countries and territories. Branches were opened for the first time in Nicaragua and Korea. A wholly-owned banking subsidiary was established in Casablanca, Morocco.

Innovative Financing

The Bank's new Minerals and Mining Department made significant progress in meeting the growing and special financial needs of companies engaged in the mining and processing of minerals. Much of the ore they are finding today is lower grade and more costly to develop, making these industries greater users of credit. FNCB is meeting these financing needs with a team of specialists and new services.

The computer industry, including manufacturers of computers and peripheral equipment, computer leasing companies, and software and service companies, is becoming one of the major segments of the American economy. To serve its special requirements, Citibank last year established a Computer Systems and Electronics Department.

Another new department, Chemical Industry Services, is being set up to work throughout the Bank with those who serve the wide spectrum of companies in the chemical business.

In Asia, the Bank has promoted consortium lending to finance business in developing nations. During the year we brought together groups of banks to make loans to industry for long-term as well as short-term purposes in India, Pakistan, Malaysia and Singapore.

To support the Argentine Government's stabilization efforts and economic reforms, First National City this past June headed up a consortium of 11 other major U.S. banks to extend that nation a $100 million standby credit.

In 1967 Citibank contributed to the economic growth of Brazil through the establishment of a new private investment and development bank there. The new enterprise, known as Investbanco, is providing medium- and long-term financing to private industry. Participating with us in this venture are nine other banks in Brazil, France, Italy, Switzerland and the United Kingdom.

Minibranch in Chile. *This small new office in Santiago de Chile is part of FNCB's continuing program of expanding its personal banking services overseas.*

The Computer Revolution

Each year the Bank develops new applications of the computer to achieve greater efficiency and to provide better service to the public.

When trading on the New York Stock Exchange ran at record volume in 1967, FNCB was able to keep abreast of the tremendous increase in certificate issuance. This was done by using a computer with an automated certificate printer.

In 1967, 23 Citibank branches in New York were tied into a central computer for servicing savings accounts. Customers are able to step into any branch connected into the system and make a savings deposit or withdrawal with all the transactions stored in the computer. The computer is easing the work loads of tellers. It files information on savings transactions and computes the interest due on savings accounts, providing faster service for customers.

Our Travel Service was one of the first to tie into the American Airlines' computer as part of the Sabre Program. The arrangement permits our travel personnel to make air reservations in approximately one minute's time on the major domestic and international airlines.

Late in 1967, First National City joined banks in 15 other money centers in creating a unique data transmission network across the United States. Other banks in major cities joined shortly thereafter. This cooperative program will mean that any company, no matter how remotely headquartered, will be able to have daily complete reporting of all receivable payments over ordinary direct-dial long-distance telephone lines.

The Bank has accelerated its overseas automation program. A complete computer system, an IBM 360, was installed in Buenos Aires where we have a high volume operation. It has already replaced conventional bookkeeping for checking accounts and for the Bank's own payroll for all of its nine branches in metropolitan Buenos Aires.

A similar computer system will be installed early in 1968 to service seven branches in and near San Juan, Puerto Rico. Plans are well advanced to introduce automation in our offices in Brazil, Chile, France, Italy and the United Kingdom.

The computer has made essential the integration of the production and marketing functions. An example of this is the Automated Customers' Services Department, which offers a variety of computer services to business firms and municipalities. Good results are being obtained by the cooperation of marketing and operating men to determine and serve customers' requirements.

During the past year, we also undertook to harness the capabilities of the computer to provide faster and better information to management through a new Management Information Service Department. These efforts included devising new analytical tools as well as much more rapid processing techniques. The goal is improved information for decision making.

Inter-American Meeting. *Chairman George S. Moore presides over a joint meeting of* CICYP, *a federation of national business organizations of the Americas, with the official inter-American organizations. Mr. Moore was president of* CICYP *1964-67.* To his right *is Dr. José A. Mora, Secretary General of the Organization of American States.* On his left *is Dr. Felipe Herrera, President of the Inter-American Development Bank.*

New Manpower Approaches

First National City Bank has long been a pioneer in employee education and training. In 1967 these activities were enlarged and redesignated as the Citibank Institute. Now staffed by over 20 specialists in business education, this group works with management in identifying the requirements of various jobs throughout the Bank. Training programs are then designed to meet these specifications.

These programs are not restricted to clerical and operating tasks. During the past year, over 500 supervisors of the Metropolitan Division participated in a concentrated two-week training program tailored to improve their performance on the job. The training unit also designs programs ranging from secretarial workshops to advanced management seminars.

In 1967 the Bank's domestic employment practices underwent significant change. Faced with intense competition in the New York City labor market, we have developed job specifications and aptitude tests which have made it possible for us to waive the historic high school diploma requirement for employment. This program has enabled us to hire a larger proportion of applicants and job vacancies have been reduced substantially.

The Bank also conducts training programs for our personnel overseas, often with participation from head office. In Europe, the Bank exported the expertise of two Harvard Business School professors to conduct a seminar for 32 of our European officers.

Innovation in the Community

First National City Bank endeavors to be a good corporate citizen in all the communities in which it operates, and encourages staff members to play an active role in public affairs. Our people serve community organizations in many capacities throughout the world.

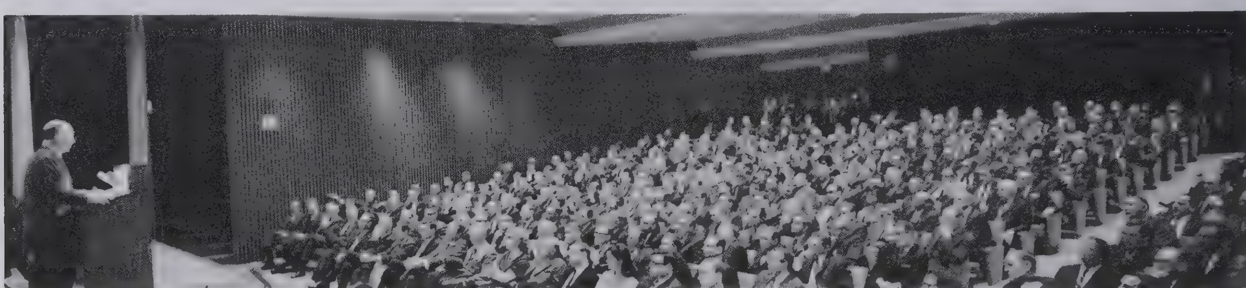
The Bank is particularly concerned with the problems that beset the New York metropolitan area, where most of our personnel live and where much of our business originates. Our involvement in the economic and social problems of this area increases each year. We are cooperating with some 50 anti-poverty agencies, public and private, as well as five agencies serving the handicapped.

The Bank contributes to organizations and efforts which foster the City's well-being. We were among the corporate contributors to Mayor Lindsay's new Citizens' Summer Committee which sponsored a "Beat the Heat" project this past summer. The Bank's funds were used to bus children from deprived City neighborhoods to the country and to beaches.

Another facet of our participation in urban affairs is the preparation of in-depth economic studies on the problems of New York City. This year the Economics Department published a 40-page report, "The Port of New York—Challenge and Opportunity." In this study, the City was urged to take prompt action to improve its facilities for air transportation and cargo containerization lest it suffer the possible loss of its preeminence as a center of world commerce.

In 1967, the Bank's contributions to civic, health and charitable organizations and to educational institutions, local and national, amounted to $1,133,000.

Seminar in Europe. *The Burgenstock Estate,* above, *overlooking Lake Lucerne, Switzerland, was the site of Citibank's European Credit Seminar, designed to keep overseas management personnel abreast of current techniques of corporate financing and bank lending. Two Harvard Business School professors guided the participants through case studies of credit problems faced by large corporations today.*



Public Affairs Speaker. Above, *Senator Jacob K. Javits was guest speaker at one of the series of forum meetings held in the Bank's auditorium as part of our continuing public affairs program for staff members.*

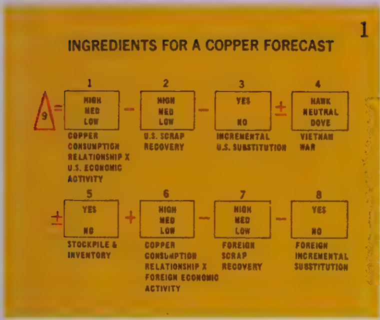
Innovation and the Public Interest

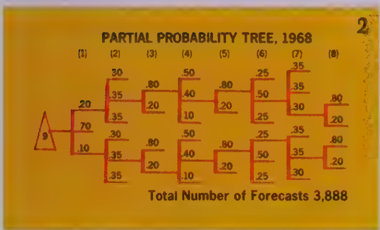
On September 28, 1967, Citibank announced unhappily that it would no longer accept new participations in its Commingled Investment Account. An unfavorable decision had been handed down in the Investment Company Institute's suit against the Comptroller of the Currency contesting the Bank's right to offer its Commingled Account. The Government is appealing the decision and we plan to support its appeal.

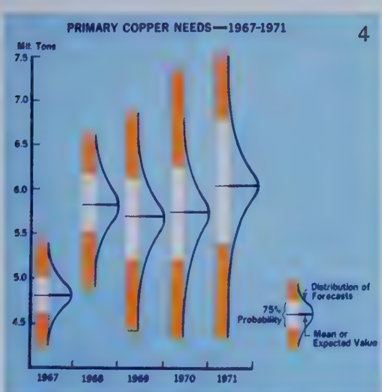
Until FNCB created the Commingled Account, it had no way of making its investment advisory service available at low cost to the small investor. In its first year of operation, the Commingled Account was well received. By its acceptance, the public indicated its desire for this service.

This problem highlights the fact that not everyone likes innovation, particularly when it begets competition. There are other important markets where attempts are being made to prevent Citibank and other commercial banks from competing.

We strongly believe that the public will benefit from free, vigorous competition in these markets which we are able and willing to serve.







Decision Tree for Copper. *In producing a recent study of the copper industry, Citibank analysts added a new ingredient by applying the "probability" or "decision tree" technique, illustrated left: (1) The analyst determines the factors that will influence his forecast. (2) He weights each factor by what he judges to be the probability of its occurrence. (3) The data are fed into a computer. (4) The end result: the computer presents an array of forecasts and the relative probability of each. By this means the analyst concentrates on those forecasts that have a significant (75%) chance of occurring, based on the assumptions.*

Training Middle Managers. *An intensive program of training in managerial and banking skills has been inaugurated by the Metropolitan Division. Below are a few of more than 500 first-line supervisors who, in groups of about 60, have been participating in the basic management course conducted in Nyack, New York.*

Directors and Trust Board

Senior Management

Chairman
GEORGE S. MOORE

Vice Chairmen
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THOMAS R. WILCOX

President
WALTER B. WRISTON

Chairman of the Executive Committee
RICHARD S. PERKINS

Executive Vice Presidents
H. LANSING CLUTE
A. HALSEY COOK
G. A. COSTANZO
ROBERT L. HOGUET
EDWARD L. PALMER
WILLIAM I. SPENCER

Chairman Credit Policy Committee
GEORGE C. SCOTT

Comptroller
BERNARD T. STOTT

Senior Vice President and Cashier
CARL W. DESCH

Senior Vice President and Economist
LEIF H. OLSEN

Senior Vice President
JOHN J. LARKIN

Senior Vice Presidents
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EBEN W. PYNE
EDWIN A. REICHERS
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JOHN C. SLAGLE
CARLETON M. STEWART
JOHN E. THILLY
HULBERT W. TRIPP

Deputy Comptroller
JOHN C. MACY

Budget Director
ROBERT V. OWEN

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H. ERIC SCHMIDT
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JOHN P. STANTON
CHARLES O. STAPLEY

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ROY H. DICKERSON
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GERALD E. SHERROD
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JOHN J. BLUMERS
KENNETH A. BOTT
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T. CONWAY BREW
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WILLIAM F. CORDNER
SIDNEY W. DAVIDSON, JR.
ROBERT W. DEUCHAR
DANIEL D. DICKEY
JOHN P. DOWD
HARRY G. DUNN
JOHN H. EARLY
ROBERT S. EMISON
DONALD R. EVANS
ROBERT P. GRAHAM
JOHN D. HASHAGEN
CHARLES F. HAYWARD
WILLIAM G. HERBSTER
B. DOUGLAS HILL
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CLARENCE V. HORAN, JR.
MICHAEL J. HORGAN
PAUL H. KOLTERJAHN
CEDRIC R. LANE
WILLIAM W. LOWE
COLEMAN B. McGOVERN, JR.
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HOWARD C. MORGAN
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WILLIAM F. REYNOLDS
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MALCOLM W. ROBINSON
GENE ROMEI
CHARLES W. SEIBERT
WALTER S. SEIDMAN
WILLIAM SLACK
FRED A. STECHER
JOHN D. STRONG, JR.
RODERIC B. SWENSON
RICHARD E. THOMAS
STEPHEN VAN RENSSELAER
EDWARD WALDMAN
F. THOMAS WARD, JR.
ALAN Mc K. WELTY
JOHN G. WINSLOW
GEORGE YATES

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J. WILLIAM BARGFREDE
JOSEPH J. BORGATTI
GEORGE J. CLARK, JR.
STEWART B. CLIFFORD
LOUIS D. CULLINGS
GEORGE L. DAVIS
JOHN T. DIMON
WILFORD M. FARNSWORTH, JR.
DOUGLAS A. FIRMIN
JOSEPH G. GOETZ
JOHN C. GOODRIDGE
ROBERT E. GRANT
JAMES Q. GRIFFIN
RODNEY N. HATCHER
RICHARD M. HENRY
DONALD S. HOWARD
FREEMAN H. HUNTINGTON
RAYMUND A. KATHE
ROBERT P. MACFADDEN
GERALD M. MAYER, JR.
WILLIAM G. NAGLE
VICTOR O. PRALL
GEORGE E. PUTNAM
FRANCIS V. QUEEN
JAMES H. REDINGTON
WALTER J. RIETHER
JUAN A. RIVERA
KENNETH M. SPANG
PETER A. TILESTON
FREDERICK J. TODD
JOHN F. VAUZANGES
RICHARD S. VOKEY
HAROLD M. WEAVER
BASIL C. WEHRMAN
RICHARD W. WHEELER
WARREN WHEELER
ROBERT S. WILLIS

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ARTHUR R. BESEMER
CHARLES W. BISSET
WALTER BLENK
FRANK W. BURR
DAVID S. CAULKINS
PAUL J. COLLINS
WILLIAM M. CRANE
GEORGE P. EGBERT, JR.
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CHARLES C. GOODFELLOW
GLEN K. GREEN
WILLIAM T. HAYES
JAMES J. HERKENHAM, JR.
PHILIP W. HESTON
ALFRED H. HOWELL
LEONARD F. JOY
NORMAN J. LARKIN
H. CARNIE LAWSON, II
JOHN F. LENNON
SAMUEL LORD, JR.
ALLERTON D. MARSHALL
JOHN M. MARTIN
JOSEPH J. McDERMOTT
ARTHUR C. MERRILL
MICHAEL B. MILLER
ARTHUR B. MITTWOCH
HERBERT E. NEVINS
PARKER E. NIELSEN
E. WAYNE NORDBERG
PHILIP J. ORSI
MICHAEL PESCATELLO
WILLIAM D. ROBERTSON
JOHN RULON-MILLER
RAYMOND H. SAMPSON
DAVID W. SCULLY
EARL R. SHORT
HAROLD J. THABET
MANNING W. VOORHEES
PETER F. WAY

Operating Division
RICHARD V. BANKS
J. EDMUND BULL
THOMAS F. CARROLL
JOHN P. CAVAIUOLO
PETER DEL COL
RICHARD W. FREUND
WALTER GLESS
WALTER L. KRAUS
RICHARD L. LE KACHMAN
DAN C. McNEILL
PAUL D. MILLHOLLAND
HENRY J. MULLER
ROBERT W. PARKER
ALBERT H. ROTHAUS
WILLIAM A. ROUGH
JOHN D. RUSSELL
M. H. SCHWARTZ
ALBERT V. SILVA

Cashier's Administration
PATRICK J. MULHERN

Comptroller's Division
RONALD J. BARRY
WESLEY E. BRUST
WILLIAM W. FLANAGAN
LAWRENCE W. HUSE
CARL KRIECH
GEORGE P. RUTLAND, JR.
DOUGLAS F. WULFFLEFF

ASSISTANT BUDGET DIRECTOR
JAMES W. KNOX

Credit Policy Supervision
WILLIAM T. LOVELAND

Economics Department
HAROLD VAN B. CLEVELAND
MIROSLAV A. KRIZ
A. JAMES MEIGS

Advertising and Marketing Services
T. JACK HENRY

Bond Administration
JAMES H. ALLEN
DAVID B. BARRETT
B. GILES BROPHY
JOSEPH H. FLEISS
DEWITT HORNOR
RICHARD F. KEZER
EDWARD J. MAHONEY
LINCOLN B. NOBLET
FRANKLIN R. SAUL
ALAN W. TITUS

Institutional Planning
JOHN W. HEILSHORN
JAMES W. STEVENS

Public Relations
DONALD J. COLEN
WARD B. STEVENSON

PROTOCOL AND SPECIAL SERVICES
JOHN PARKINSON

Personnel Administration
ROBERT D. ARNOLD
WILBUR C. BALDWIN
HENRY P. MORALES
CHRISTOPHER R. P. RODGERS


168 Offices in the Metropolitan Area
Figures in parentheses indicate the number of offices in each borough or county
Uptown Headquarters: 399 Park Avenue, New York
Downtown Headquarters: 55 Wall Street, New York
Westchester (19)
Bronx (15)
Manhattan (59)
Queens (26)
Nassau (18)
Brooklyn (21)
Staten Island (10)

Metropolitan Regional Boards*

Nassau

GEORGE F. BAKER, JR.
20 Exchange Place,
New York, New York

HENRY R. BANG
Executive Vice President,
Long Island Hospital Review & Planning Council, Inc.

FORD BARTLETT
President,
Lockwood, Kessler & Bartlett, Inc.

STANLEY M. BLAUSER, JR.
General Manager–Nassau,
New York Telephone Co.

DR. ARTHUR W. BROWN
Dean,
Graduate School of Arts & Sciences,
Fordham University

MARTIN DWYER, JR.
Sprague, Dwyer, Aspland & Tobin

T. JOHN FOLKS, JR.
Executive Officer & Chairman of the Board,
Nassau Suffolk Lumber & Supply Corp.

EDGAR S. HILL
Vice President,
Fairchild Camera & Instrument Corp.

EDWARD C. NEZBEDA
Vice President,
Grumman Aircraft Engineering Corp.

ALEXANDER PAULSEN
General Apartments Corp.

JOSEPH USHKOW
President,
Endo Laboratories, Inc.

HOWARD B. WAKEMAN
166 Roxbury Road,
Garden City, New York

ROBERT WINTHROP
Wood, Struthers & Winthrop

Staten Island

WILLIAM A. DREYER
President,
Arthur Dreyer & Son

HERBERT A. FLAMM
President,
Weitzman's Photo Shop, Inc.

ARTHUR J. GRYMES, III
Chairman of the Board & President,
Brewer Dry Dock Co.

WINSTON E. HIMSWORTH
Vice President–
Staten Island Operations,
The Brooklyn Union Gas Co.

KENNETH W. NELSON
President,
Tech Products, Inc.

WARREN S. PARK
Manager–Staten Island,
J. C. Penney Co., Inc.

WILLIAM G. QUINN
Port Ivory Division Manager,
The Procter & Gamble Manufacturing Co.

CORNELIUS VANDERBILT
President,
Vanbro Construction Corp.

WALTER L. VAN NOSTRAND
83 Midland Road,
Staten Island, New York

JOSEPH WEISSGLASS
President,
Weissglass Gold Seal Dairy Corp.

Westchester

DAVID M. BRUSH
Treasurer,
General Foods Corp.

WILLIAM N. CREASY
President,
Burroughs Wellcome & Company (USA) Inc.

BERNARD F. CURRY, JR.
President,
The Curry Corporation

GEORGE E. HEDDY, JR.
General Manager,
New York Telephone Co.

WARREN C. HUME
Senior Vice President,
International Business Machines Corp.

THOMAS D. NAST
President & Treasurer,
All-State Welding Alloys Co., Inc.

H. HALSTED PARK, JR.
President,
H. H. Park, Inc.

M. CABELL WOODWARD, JR.
Vice President–Finance,
Continental Baking Co., Inc.

**Other than members who are First National City Bank officials*

Canada (9)
Germany (3)
Netherlands
Belgium (4)
United Kingdom (12)
Ireland
France (5)
Switzerland (2)
Italy (2)
Bahamas (2)
Guantanamo Bay
Dominican Republic (2)
Puerto Rico (11)
Virgin Islands (2)
Mexico (5)
El Salvador
Honduras (6)
Nicaragua
Canal Zone
Panama (9)
Colombia (7)
Ecuador (3)
Jamaica
Trinidad and Tobago (2)
Venezuela (4)
Morocco
Niger (4)
Mali
Mauritania (2)
Senegal (4)
Liberia (5)
Ivory Coast (6)
Upper Volta (2)
Togo
Dahomey
Nigeria (4)
Gabon (3)
Peru (4)
Bolivia
Brazil (11)
Paraguay (4)
Chile (10)
Uruguay (2)
Argentina (24)


241 Offices Overseas
Figures in parentheses and symbols indicate the number of offices in each country or city with more than one office
Branches, subsidiaries and military facilities
Offices of affiliated companies
Representative Office
Japan (5)
Korea
Lebanon
Republic of China
Hong Kong (4)
Pakistan (2)
Philippines (4)
Trucial States
India (6)
Saudi Arabia (2)
Chad (2)
Malaysia (3)
Central African Republic
Singapore (3)
Cameroun (5)
Congo Republic (2)
Australia (4)
South Africa (5)

Financial Summary

The Year's Earnings

The Bank and its wholly-owned subsidiaries reported record net operating earnings of $112,756,000 in 1967, up 7% over the previous year. Earnings per share were $4.22 compared with $3.94 in 1966.

Total operating income climbed $61 million to $632 million. Operating expenses were up $51 million to $472 million.

Over half of the increase in revenues was in income from loans. This was due more to expanded loan volume than to higher interest rates. There was, however, an improvement in the average rate on domestic loans from 5.77% in 1966 to 5.93%.

Income from bond investments was up $20 million, also reflecting larger holdings and, to a lesser extent, higher yields. Other income was up $10 million, due mainly to increased trust and other commissions.

As for expenses, provision for domestic staff payments rose $17 million or 14%. Interest paid on deposits increased $28 million, also up 14% from 1966, mainly because of the larger volume of interest-bearing deposits. Other expenses rose $10 million.

Loans and Investments

Total loans averaged 5% higher for the year than in 1966. Gains were recorded in each of our major lending divisions—Metropolitan, National, Overseas and Specialized Industries. The largest increase was in the Specialized Industries Division, reflecting strong demands for credit in the public utility, petroleum, transportation and aerospace industries.

At year end the Bank transferred $57 million from Undivided Profits to Surplus, thereby increasing its lending limit for some categories of loans.

Net losses on loans, after taking tax reductions and recoveries into account, were $4.8 million in 1967. This was equivalent to 5/100ths of one percent of our loan portfolio.

Over the past 10 years, net loan losses have averaged $4.5 million per year, equivalent to 8/100ths of one percent of average loans.

Holdings of securities at year end were $3.3 billion, $742 million higher than a year earlier. More than half of the increase was in U.S. Government obligations.

The average yield on investment holdings of U.S. Governments rose from 4.34% in 1966 to 4.63% in 1967.The average maturity at year end was 25 months, substantially shorter than a year ago. Of these securities, 58% mature within a year and 78% within five years.

The return on holdings of state and municipal securities was 3.54%, equivalent to 7.10% on a fully taxable basis. The average maturity was 15½ years.

Net losses from sales of securities after taxes amounted to $5.4 million, about the same as in 1966. Over a period of years, profits and losses on securities have tended to even out. Detailed results are included in the 10-year summary on page 26.

Deposits

At year end, total deposits were $15.2 billion, a new high. The increase for the year was $2.3 billion, the largest for any year in our history.

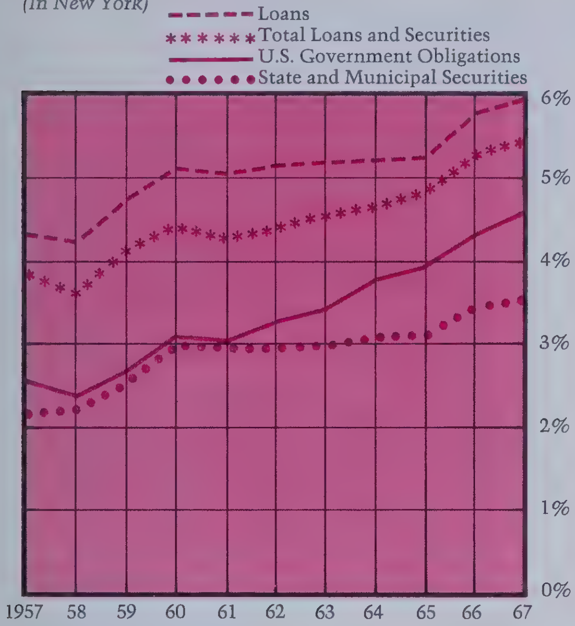
On the basis of average figures over the 12-month period, deposits were $1.1 billion higher in 1967 than in 1966. Almost half of this increase was in deposits at overseas offices. Domestic time deposits of all types averaged $250 million higher and demand deposits were up $350 million.

This was the first significant increase in domestic demand deposits in more than a decade. In addition to new relationships established, this encouraging growth also reflected decisions by some corporations to maintain larger balances to support their expanding needs for bank credit and other services.

Consumer time deposits, including savings accounts, increased 18%. This was due almost entirely to our new Golden Passbook accounts, a new form of time deposit on which we pay 5% interest. These accounts now constitute 14% of our consumer time deposits. In spite of generally higher interest rates, regular savings showed a slight growth during 1967 compared with a decline the previous year.

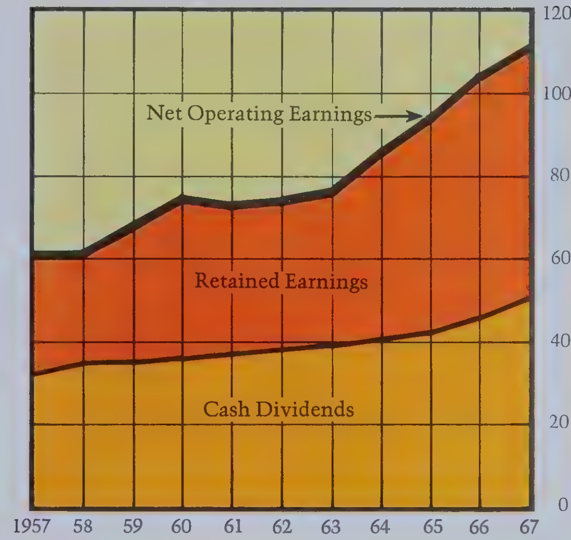
Average Annual Rate on Loans and Securities

(In New York)



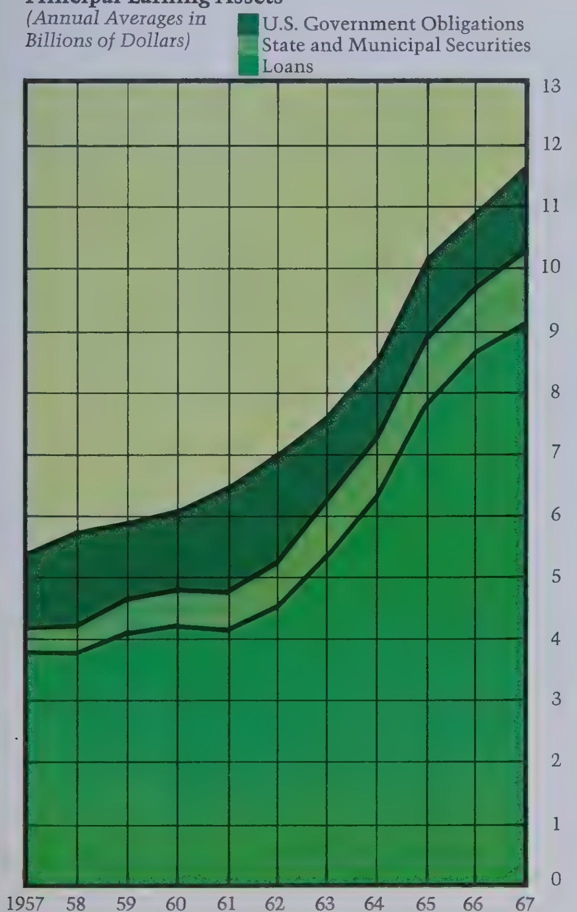
Earnings and Dividends

(In Millions of Dollars)



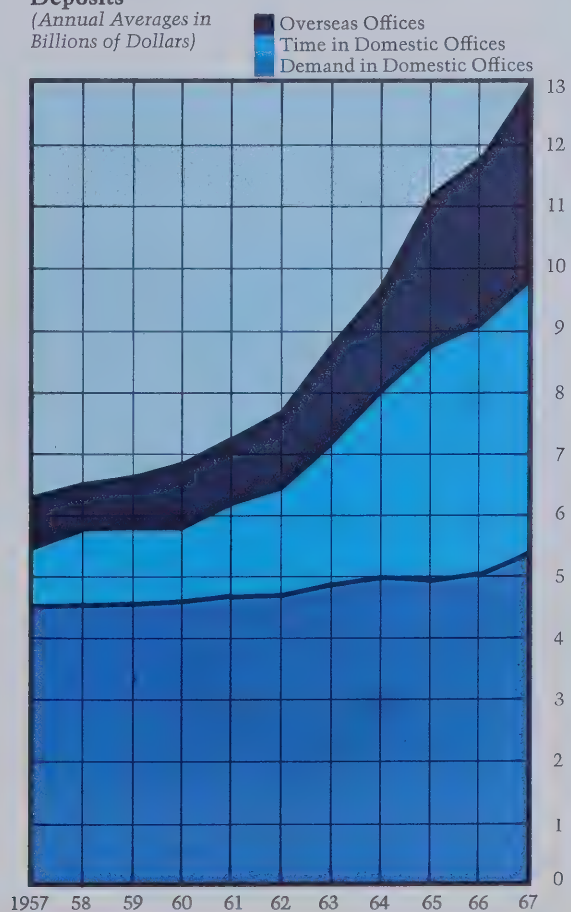
Principal Earning Assets

(Annual Averages in Billions of Dollars)



Deposits

(Annual Averages in Billions of Dollars)



FIRST NATIONAL CITY BANK
AND SUBSIDIARIES

Consolidated Statement of Condition

		December 31, 1967		December 31, 1966
Assets				
Cash and Due from Banks		$ 3,413,660,000		$ 3,003,663,000
U.S. Government Obligations		1,636,149,000		1,210,558,000
State and Municipal Securities		1,278,214,000		1,010,143,000
Other Securities		385,129,000		336,973,000
Loans, *after deducting Reserve for Possible Losses: 1967, $229,576,000; 1966, $199,337,000*		9,917,491,000		8,785,366,000
Customers' Acceptance Liability		296,548,000		262,763,000
Bank Premises and Equipment		154,245,000		145,983,000
Other Assets		415,937,000		310,098,000
TOTAL		$17,497,373,000		$15,065,547,000
Liabilities				
Demand Deposits in Domestic Offices		$ 7,134,754,000		$ 6,068,868,000
Time Deposits in Domestic Offices		4,637,232,000		3,922,056,000
Deposits in Overseas Offices		3,429,206,000		2,948,676,000
Total Deposits		$15,201,192,000		$12,939,600,000
Acceptances Outstanding		305,475,000		268,518,000
Funds Borrowed		320,956,000		276,797,000
Accrued Taxes and Other Expenses		129,447,000		122,150,000
Provision for Dividend Declared		13,353,000		11,992,000
Other Liabilities		110,526,000		68,380,000
Unearned Income		70,221,000		71,127,000
Reserve for Contingencies		127,187,000		117,500,000
Capital Accounts				
4% Convertible Capital Notes Due 1990	$266,308,000		$266,308,000	
Capital Stock ($13.50 par) 26,705,064 shares in 1967; 26,648,871 shares in 1966	$360,518,000		$359,760,000	
Surplus	460,305,000		401,285,000	
Undivided Profits	131,885,000		162,130,000	
	$952,708,000	1,219,016,000	$923,175,000	1,189,483,000
TOTAL		$17,497,373,000		$15,065,547,000

Explanatory notes are on pages 24-25

Consolidated Statement of Earnings

	1967	1966	Change
Operating Income			
Interest on Loans	$426,245,000	$395,696,000	$+30,549,000
Interest and Dividends on Securities			
—U.S. Government	63,744,000	50,238,000	+13,506,000
—State and Municipal	42,346,000	37,914,000	+ 4,432,000
—Other Securities	8,724,000	6,224,000	+ 2,500,000
Other Income	90,952,000	81,390,000	+ 9,562,000
	$632,011,000	$571,462,000	$+60,549,000
Operating Expenses			
Provision for Staff Payments			
—Salaries	$110,945,000	$ 96,579,000	$+14,366,000
—Profit Sharing	6,765,000	5,623,000	+ 1,142,000
—Retirement Plan	11,196,000	9,916,000	+ 1,280,000
—Social Security Taxes	4,585,000	4,111,000	+ 474,000
—Group Insurance, Hospital and Medical	1,557,000	2,302,000	− 745,000
	$135,048,000	$118,531,000	$+16,517,000
Interest Paid on Deposits	232,127,000	203,872,000	+28,255,000
Interest Paid on Borrowed Money	26,921,000	29,638,000	− 2,717,000
Deposit Insurance Assessment	2,944,000	3,073,000	− 129,000
Premises (net)	20,151,000	20,745,000	− 594,000
Other Expenses	54,942,000	45,205,000	+ 9,737,000
	$472,133,000	$421,064,000	$+51,069,000
Net Before Income Taxes	$159,878,000	$150,398,000	$+ 9,480,000
Taxes Based on Operating Income	47,122,000	45,508,000	+ 1,614,000
NET OPERATING EARNINGS	$112,756,000	$104,890,000	$+ 7,866,000
Per share (Based on shares outstanding at each year end)	$4.22	$3.94	$+.28
Net Profit or (Loss) from Sales of Securities After Taxes	$ (5,351,000)	$ (5,432,000)	
Provision for Loan Losses After Taxes (Equal to Net Charge-offs against Reserve for Possible Losses on Loans)	(4,792,000)	(6,055,000)	
Transferred to Undivided Profits	$102,613,000	$ 93,403,000	

Changes in Consolidated Capital Accounts

	1967	1966
Balance at Beginning of Year	$1,189,483,000	$1,163,120,000
Additions		
Transferred from Consolidated Statement of Earnings	$ 102,613,000	$ 93,403,000
Sale of Stock Under Staff Option and Purchase Plans	2,778,000	464,000
Other Additions	146,000	80,000
	$ 105,537,000	$ 93,947,000
Deductions		
Provision for Cash Dividends (Per Share: 1967, $1.90; 1966, $1.75)	$ 50,708,000	$ 46,629,000
Transferred to:		
Reserve for Possible Losses on Loans	15,411,000	8,482,000
Reserve for Contingencies	9,605,000	12,294,000
Other Deductions	280,000	179,000
	$ 76,004,000	$ 67,584,000
Balance at End of Year	$1,219,016,000	$1,189,483,000

Explanatory notes are on pages 24-25

Notes to the Financial Statements

1. Basis of Presentation

The Consolidated Statement of Condition includes the assets and liabilities of the Bank and its wholly-owned subsidiaries. Figures of overseas offices are as of December 20, and are converted at rates of exchange current on that date.

Earnings of overseas offices, net of expenses, are included in Other Income in the Consolidated Statement of Earnings only if the earnings are remittable to the United States. All other items of Operating Income and all Operating Expenses are for domestic offices only.

Commitment commissions and fees on loans in 1967 are included in Interest on Loans in the Consolidated Statement of Earnings. For comparability, 1966 figures for Interest on Loans and Other Income have been restated to conform with the 1967 treatment.

2. Assets

Investment securities are carried at cost less amortization of premiums. At December 31, 1967 the market value of the securities portfolio is approximately $150,000,000 below the book value of $3,299,492,000. At December 31, 1966 the market value was approximately $60,000,000 below the book value of $2,557,674,000.

U.S. Government obligations carried at $861,233,000, State and Municipal securities carried at $362,872,000 and other assets carried at $318,641,000 on December 31, 1967 are pledged to secure public and trust deposits and for other purposes.

Bank premises and equipment are carried at cost less accumulated depreciation. The expenses in 1967 include $9,251,000 for depreciation, and $10,007,000 for rental cost of leased premises and equipment, generally at terms not in excess of thirty years. The Bank has entered into lease obligations for certain premises not yet occupied, which when occupied will increase annual rentals by approximately $4,300,000.

3. Retirement Plans

The Bank and its subsidiaries have a number of pension plans for substantially all employees. The Bank's policy is to fund the cost, including amortization of prior service cost, of such pension plans.

4. Group Insurance

The Group Insurance Plan continues protection on a reduced basis at the Bank's expense for staff members after they retire. At the end of 1967, estimated future death benefits on the lives of present pensioners amount to approximately $24,000,000. Premiums paid to the insurance company include the current cost of these benefits.

5. Convertible Capital Notes

The 4% Convertible Capital Notes Due 1990 are convertible into Capital Stock at a conversion price of $66⅔ per share, subject to adjustment in certain events. The Notes, which are subordinated to obligations to depositors and other creditors, are redeemable on or after July 1, 1970 at the option of the Bank, in whole or in part, at their principal amount plus accrued interest and a premium initially of 3.05%, declining thereafter, and without premium on or after July 1, 1986. Interest on the Notes in 1967 of $10,652,000 is included in Interest Paid on Borrowed Money.

6. Capital Stock

At respective year ends, authorized Capital Stock amounted to 35,000,000 shares. At December 31, 1967, 5,911,529 shares are reserved for issuance in connection with conversion of the Capital Notes and sales under the Stock Option and Purchase Plans described below.

The Capital Notes indenture prohibits the payment of dividends (other than stock dividends) or the purchase of outstanding Capital Stock in amounts which would reduce the total of the Capital, Surplus, and Undivided Profits below $800,000,000.

Under the Bank's Stock Option Plan for key personnel, as of December 31, 1967, 94,957 shares of Capital Stock have been purchased (54,478 in 1967) and options for 880,242 shares at prices ranging from approximately $49 to $62 remain outstanding. The options have been granted for terms up to 10 years at not less than the fair market value of the shares at the dates of grant, and are exercisable cumulatively in equal annual installments.

As of December 31, 1967, participants in the Stock Purchase Plan have purchased 8,127 shares of Capital Stock (1,715 in 1967) at the fair market value of the shares at the dates of grant, and rights to purchase prior to October 5, 1968 remain outstanding for an additional 61,524 shares at a purchase price of $50.375 per share.

7. Reserve for Contingencies

Changes in the reserve are shown in the table below.

	1967	1966
Balance at Beginning of Year	$117,500,000	$106,613,000
Deductions	$ 1,681,000	$ 3,341,000
Additions		
Transferred from Undivided Profits	$ 9,605,000	$ 12,294,000
Other Additions	1,763,000	1,934,000
	$ 11,368,000	$ 14,228,000
Balance at End of Year	$127,187,000	$117,500,000

8. Reserve for Possible Losses on Loans

This reserve has been deducted from Loans in the Consolidated Statement of Condition. Recognized loan losses are charged to the reserve and subsequent recoveries are added. Changes in the reserve are shown in the table below.

		1967		1966
Balance at Beginning of Year		$199,337,000		$183,056,000
Deductions				
Loan Charge-offs	$13,125,000		$15,295,000	
Less Recoveries	3,542,000	$ 9,583,000	2,876,000	$ 12,419,000
Additions				
Due to Net Loan Charge-offs				
Transferred from Earnings	$ 4,792,000		$ 6,055,000	
Tax Reduction	4,791,000	$ 9,583,000	6,364,000	$ 12,419,000
Due to Increase in Loans				
Transferred from Undivided Profits	$15,411,000		$ 8,482,000	
Tax Reduction	14,542,000	29,953,000	7,799,000	16,281,000
Other Additions		286,000		—
		$ 39,822,000		$ 28,700,000
Balance at End of Year		$229,576,000		$199,337,000

During the year 1967, loan charge-offs have been $13,125,000 and recoveries have been $3,542,000 for the net amount of $9,583,000 before taxes or $4,792,000 after taxes. The amount of $9,583,000 has been restored to the Reserve for Possible Losses on Loans by the transfer from earnings of the after-tax cost of $4,792,000, as shown in the Consolidated Statement of Earnings, and the transfer from Reserve for Taxes of $4,791,000.

The increase in the size of the loan portfolio has made possible a further increase in the Reserve for Possible Losses on Loans. Accordingly, $15,411,000 has been transferred from Undivided Profits, as shown in the Changes in Consolidated Capital Accounts, and $14,542,000 from Reserve for Taxes to increase the Reserve for Possible Losses on Loans by $29,953,000 under the applicable governmental regulations. An addition of $286,000 has been made to the reserve in overseas subsidiaries.

Auditors' Report

PEAT, MARWICK, MITCHELL & CO
CERTIFIED PUBLIC ACCOUNTANTS
SEVENTY PINE STREET
NEW YORK, NEW YORK 10005

The Board of Directors
First National City Bank:

We have examined the consolidated statement of condition of First National City Bank and wholly-owned subsidiaries as of December 31, 1967 and the related statements of earnings and changes in capital accounts for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated statement of condition, consolidated statement of earnings and changes in consolidated capital accounts present fairly the financial position of First National City Bank and wholly-owned subsidiaries at December 31, 1967 and the results of their operations and changes in capital accounts for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

January 15, 1968 Peat, Marwick, Mitchell & Co.

Ten Years of Growth

	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957
Total Assets, at year end (Millions)	$ 17,497	$ 15,066	$13,977	$12,452	$11,798	$10,449	$ 9,646	$ 8,832	$ 8,298	$ 8,088	$ 7,803
Average Assets (Millions)											
U.S. Government Obligations	$ 1,381	$ 1,146	$ 1,258	$ 1,336	$ 1,440	$ 1,627	$ 1,713	$ 1,278	$ 1,255	$ 1,485	$ 1,181
State and Municipal Securities	1,207	1,091	1,098	1,018	897	735	586	477	537	460	408
Loans (Before Reserve)	9,151	8,695	7,885	6,284	5,388	4,653	4,245	4,366	4,186	3,890	3,898
Average Deposits (Millions)											
In Domestic Offices: Demand	$ 5,436	$ 5,079	$ 4,999	$ 5,016	$ 4,907	$ 4,768	$ 4,763	$ 4,733	$ 4,728	$ 4,668	$ 4,668
Savings	1,419	1,482	1,532	1,387	1,284	1,046	794	650	610	543	453
Other Time	2,967	2,646	2,345	1,650	1,088	760	697	477	554	624	487
In Overseas Offices	3,203	2,672	2,366	1,724	1,535	1,179	1,063	1,031	889	843	785
TOTAL	$ 13,025	$ 11,879	$11,242	$ 9,777	$ 8,814	$ 7,753	$ 7,317	$ 6,891	$ 6,781	$ 6,678	$ 6,393
Net Operating Earnings (Thousands)	$112,756	$104,890	$93,729	$86,794	$76,942	$74,108	$72,861	$74,292	$67,962	$60,274	$60,205
Net After-Tax Profit or (Loss) from Sales of Securities	(5,351)	(5,432)	380	(979)	4,933	(2,226)	14,175	(2,668)	(9,941)	3,174	(1,290)
Net After-Tax Loan (Losses) or Recoveries	(4,792)	(6,055)	(5,441)	224	(1,548)	(3,596)	(6,677)	(16,570)	182	(558)	(170)
Per share, after adjustment for 2% stock dividends in 1960 through 1964, and 2-for-1 stock split effective in 1965											
Net Operating Earnings, based on year-end shares	$ 4.22	$ 3.94	$ 3.52	$ 3.26	$ 2.89	$ 2.79	$ 2.75	$ 2.80	$ 2.56	$ 2.27	$ 2.27
Cash Dividends Declared	1.90	1.75	1.60	1.53	1.47	1.44	1.41	1.39	1.36	1.36	1.34
Annual Dividend Rate at Year End	2.00	1.80	1.60	1.60	1.47	1.44	1.41	1.39	1.36	1.36	1.36
Capital, Surplus and Undivided Profits, based on year-end shares	35.68	34.64	33.66	32.85	31.99	31.30	30.53	29.82	28.87	28.22	27.77
Capital Accounts, at year end (Millions)											
Capital, Surplus, and Undivided Profits	$ 953	$ 923	$ 897	$ 874	$ 851	$ 833	$ 809	$ 790	$ 765	$ 748	$ 736
Convertible Capital Notes	266	266	266	—	—	—	—	—	—	—	—
TOTAL	$ 1,219	$ 1,189	$ 1,163	$ 874	$ 851	$ 833	$ 809	$ 790	$ 765	$ 748	$ 736
Reserves, at year end (Millions)											
Reserve for Possible Losses on Loans	$ 230	$ 199	$ 183	$ 159	$ 143	$ 121	$ 110	$ 105	$ 108	$ 95	$ 96
Reserve for Contingencies	127	118	107	100	86	74	67	45	34	33	22
Shares Outstanding, at year end, after adjustment for 2% stock dividends in 1960 through 1964, and 2-for-1 stock split effective in 1965 (Thousands)	26,705	26,649	26,640	26,617	26,602	26,602	26,498	26,498	26,498	26,498	26,498
Staff, at year end	26,900	24,000	22,100	20,800	20,700	19,800	19,500	18,400	17,900	17,000	16,800

Affiliated Companies

Laws and regulations of the United States and statutes of certain other nations require First National City Bank to conduct some business through separate companies. Listed below are companies in which the Bank owns part or all of the stock with the percentage owned, the date of acquisition and the major activities of each company.

First National City Overseas Investment Corporation (1961) is an Edge Act investment corporation which facilitates foreign capital transactions and makes equity investments abroad. (100%)

First National City Bank (International) (1967) in San Francisco is an Edge Act banking corporation offering a broad range of international banking services, particularly to our branches, correspondents and clients overseas. (100%)

International Banking Corporation (1915) is a domestic company through which the Bank holds most of its interests in affiliates overseas. (100%)

The Bank of Monrovia (1955) conducts a general banking business and operates five offices in Liberia. In addition to FNCB officials, Henry Harfield is a member of the board. (100%)

The First National City Bank of New York (South Africa) Ltd. (1958) conducts a banking business and operates five offices in South Africa. Directors other than FNCB officials are: D. D. Forsyth, H. L. Kennedy, E. B. Pagden, L. C. M. Rattray and C. C. Wiley. (100%)

First National City Trust Company (Bahamas) Ltd. (1961) conducts a general trust business under the laws of the Bahamas and affords various advantages to foreign customers and foreign subsidiaries of U.S. Corporations. In addition to FNCB officials, members of the board are: L. A. Astley-Bell, M. P. Maura, Col. A. T. Maxwell, Rt. Hon. Lord Rootes, Hon. Sir R. T. Symonette and J. W. Walker, Q.C. (100%)

Banking by Bus. *The Dakar, Senegal, Branch of Banque Internationale pour l'Afrique Occidentale, an affiliate of FNCB, now provides banking service to customers along the 20-mile route between Dakar and Rufisque from this antique Parisian autobus.*

The Mercantile Bank of Canada (1963) conducts a general banking business and operates seven offices in Canada. In addition to Citibank officials, directors are: A. Bachand, H. A. Benham, J. L. Black, W. J. Borrie, P. Côté, Hon. L. P. Gélinas, J. T. Johnson, H. T. Mitchell and E. H. Tanner, O.B.E (100%)

International Trust Company (1963) conducts a general trust business and operates two offices in Canada. Directors other than FNCB officials are: F. Mercier, Q.C., W. S. Robertson, D.F.C., Q.C. and L. Rousseau. (100%)

Banque Internationale pour l'Afrique Occidentale (1965) conducts a general banking business and operates 38 offices in central and western Africa. It also operates three offices in France. Members of the board other than Citibank officials are: H. Bizot, A. de Boissieu, G. Froment-Meurice, P. W. Kimzey, R. Klehe, R. M. O'Neill, J. Pallier and P. Roques. (40%)

Banco de Honduras, S.A. (1965) conducts a general banking business and operates six offices in Honduras. In addition to FNCB officials, A. S. Midence is a member of the board. (53%)

First National City Bank (Maghreb) (1967) conducts a general banking business in Casablanca, Morocco. (100%)

Banco de Bahia Blanca, S.A. (1967) conducts a general banking business in Bahia Blanca, Argentina. Members of the board other than Citibank officials are: Jorge J. Hitce, Marcelo Aranda, Alejandro Correa Luna and Miguel Angel Martinez, Jr. (97%)

Banco Argentino del Atlantico, S.A. (1967) conducts a general banking business and operates eight offices in the Mar del Plata area, south of Buenos Aires, Argentina. In addition to FNCB officials, the board of directors includes Horacio Beccar Varela, Jr. (77%)

New York London Trustee Co. Limited (1964) provides trust and investment services to companies in the United Kingdom. In addition to FNCB officials, directors are: Viscount Bearsted, T.D., D.L. and D. S. Allison. (75%)

National City Financial Trust Ltd. (1967) operates in the hire purchase, mortgage loan and personal loan fields through nine offices in England and Scotland. The only outside director is C. J. Wyatt. (86%)

FNCB-Waltons Corporation Ltd. (1966) is a leading finance company in Australia with offices in Sydney, Brisbane and Melbourne. In addition to FNCB officials, directors are: S. H. Proudford, D. B. Sanderson, A. E. Vrisakis, J. R. Walton, J. S. Walton and J. H. Dawson. (50%)

FNCB Services Corporation (1965) enables the Bank to offer special types of services related to commercial banking. (100%)

Carte Blanche Corporation (1965) operates the Carte Blanche credit card business. Directors in addition to Citibank officials are: L. W. Adams, Henry Harfield, W. B. Hilton, C. W. Petersmeyer and S. R. Zax. (50%)

FNCB Capital Corporation (1967) is a small business investment company organized to provide equity capital and long-term loans to growing concerns. Directors other than FNCB officials are: P. L. Miller and T. F. Talmadge. (100%)

The Bank's Staff

At the right is a representative grouping of Citibankers who, in 1967, helped provide the Bank's customers with the widest possible range of quality banking services.

Who's Who

1. *Doris S. Carr,* Telephone Operator
2. *Zelda L. Wakeman,* Assistant Vice President
3. *Fred Waldhorn,* Official Assistant
4. *Richard T. Washington,* Investigator Correspondent
5. *Carol A. Jolley,* Secretary
6. *Judith A. Albertelli,* Record Clerk
7. *Hilda R. Dones,* Senior File Clerk
8. *Shirley E. Diamond,* Senior Reference Librarian
9. *Anna B. Gilbert,* Official Assistant
10. *Marvin Goodless,* Assistant Cashier
11. *Elaine V. Bailey,* Secretary
12. *Marilyn D. Slays,* Secretary–Page
13. *Josef Mueller,* Special Mechanic
14. *Joanne M. Fitzgerald,* Secretary–Page
15. *Keith L. Gittens,* Assistant Cashier
16. *Raj Chitnis,* Methods Analyst
17. *Ricardo Munoz,* Assistant Department Head–Translators
18. *Christine E. Velaumandavin,* Unit Teller
19. *James F. McCabe,* Special Patrolman
20. *Peter Chronis,* Section Head–Graphic Artist
21. *Ronald N. Rookwood,* Payment Examiner
22. *Janice F. Rellstab,* Medical Technician
23. *Vera Gold,* Processing Clerk
24. *Hazel L. Lester,* Mail Sorter
25. *Mary S. Turner,* Assistant Economist
26. *Marilynn Cason,* Reconcilement Clerk
27. *Peter Vath,* Unit Teller
28. *Marcel M. Wechsler,* Senior Programmer
29. *Mary Jane P. Ayers,* Senior Payroll Clerk
30. *Tony Hsuan-Min Tsu,* Official Assistant
31. *Sheila L. Friedman,* Accounting Specialist
32. *John B. Batt,* Senior Staff Photographer
33. *Ronald F. Judson,* Assistant Vice President
34. *John E. Muller,* Assistant Cashier
35. *William F. Wahlers,* Senior Computer Operator
36. *Edward J. Murray,* Tax Specialist
37. *Robert A. Hartley,* Official Assistant
38. *Agatha G. Kimmel,* Official Assistant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